

A nonprofit organization created to foster and develop the arts by sponsoring a public art exhibit at which the works of unknown but promising artists are selected by a panel of qualified judges for viewing and are gratuitously displayed is exempt from Federal income tax under section 501(c)(3) of the Internal Revenue Code of 1954.

A question asked the Internal Revenue Service is whether an organization created to foster and develop the arts by sponsoring an annual art exhibit is exempt from Federal income tax under section 501(c)(3) of the Internal Revenue Code of 1954.

The organization's sole activity is sponsoring an annual public art exhibit at which works of unknown but promising artists are displayed. Artists eligible to have their works displayed are those who are not affiliated with art galleries and who have no medium for exhibiting their creations. The works exhibited are selected by a panel of qualified art experts. The organization does not charge the artists any fees for the privilege of having their works displayed. Nor does the organization sell or offer the displayed works for sale.

For the exhibit, the organization prepares a catalogue which lists each work displayed, the name of its creator, and the artist's home or studio address. The catalogue is sold for a nominal fee to the public. In addition, the organization receives income from nominal admission fees to the exhibit and contributions. Funds are disbursed for renting the exhibition hall, printing the catalogues, and administrative expenses.

Section 501(c)(3) of the Code provides, in part, for the exemption from Federal income tax of organizations organized and operated exclusively for charitable and educational purposes, no part of the net earnings of which inures to the benefit of any private shareholder or individual.

Cultural organizations devoted to the promotion of the arts may qualify for exemption as being educational or charitable in character. See Rev. Rul. 65-271, C.B. 1965-2, 161.

Similarly, an organization created to foster and develop the arts by sponsoring an annual public exhibit at which art works of unknown but promising artists are selected by a panel of expert judges and gratuitously displayed is exempt from Federal income tax under section 501(c)(3) of the Code.

An organization which considers itself within the scope of this Revenue Ruling must, in order to establish exemption under section 501(c)(3) of the Code, file an application on Form 1023, Exemption Application, with the District Director of Internal Revenue for the internal revenue district in which is located the principal place of business or principal office of the

organization. See section 1.501(a)-1 of the Income Tax Regulations.